



# Petroleum Market Report

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Energy Information Administration  
Office of Oil & Gas

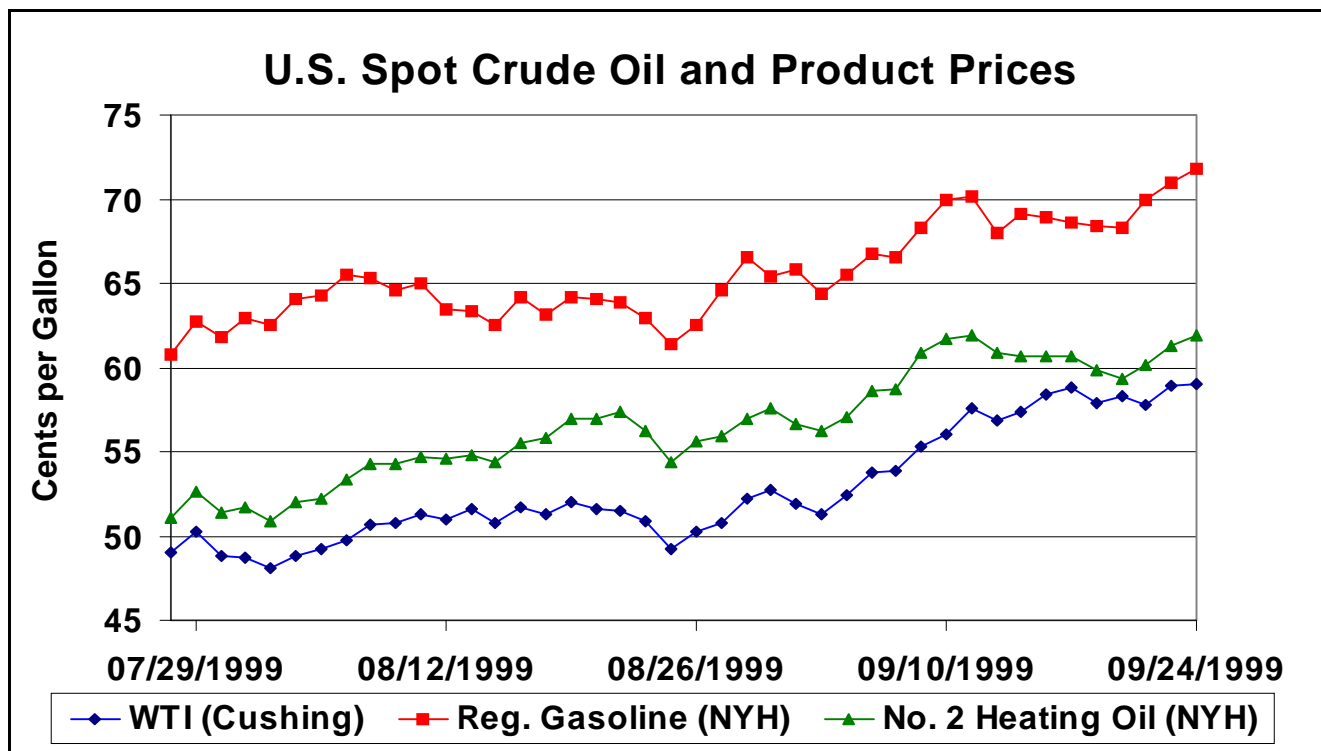
## MARKET SUMMARY

Prices moved upward on U.S. petroleum spot and futures markets last week, gaining solidly after OPEC, as expected, announced that it would retain its current reduced output levels through March 2000. Product prices posted the strongest increases, after declining the week before and narrowing crack spreads. Prices generally marked time through Tuesday, then rose sharply the remainder of the week once the short-term uncertainties about inventories and OPEC actions were removed. Most crude and product prices finished the week at new multi-year highs.

**Crude oil** - prices eased on Monday, as traders took profits following earlier gains and ahead of NYMEX October contract expiration, the weekly API and EIA supply reports, and Wednesday's OPEC meeting in Vienna. A request by Senator Charles Schumer for oil sales from the Strategic Petroleum Reserve, intended to curb price increases, created a flurry of market activity in the last half of the week, but did not appear likely to incite government action. West Texas Intermediate spot prices reached their highest level since January 1997 at nearly \$25 per barrel.

**Gasoline** - futures and New York Harbor spot prices rose more than 3 cents per gallon, outpacing crude oil, and hitting their highest points in over 2 years. Cuts in West Coast refinery runs, attributed both to poor margins and maintenance needs, pushed prices up even more sharply there.

**Distillate** - saw generally more modest price increases than other markets, likely due to small, but continuing, inventory builds. U.S. stocks as of September 17 stood only 7 million barrels below year-ago levels, and high in the seasonal range.



## ***CHRONOLOGY OF RECENT MARKET EVENTS***

- 9/24 - mixed** - all but November NYMEX crude oil prices ended higher, as markets posted strong gains before a bout of pre-weekend profit-taking. DOE clarified earlier comments on the possibility of an SPR sale, saying it was not actively considering such a move due to current supply adequacy.
- 9/23 - rising** - prices climbed solidly across the board, as markets continued to digest Wednesday's announcement by OPEC, as expected, of the continuation of current output levels for another 6 months. Refinery run cuts on the West Coast, attributed both to low profitability and unexpected problems, contributed to product strength.
- 9/22 - mixed** - futures prices moved higher, followed by spot products, as OPEC met market expectations by announcing the extension of output cuts through March 2000. The weekly API and EIA supply reports were less in line with expectations, as both crude oil and gasoline were reported down by API, but up by EIA.
- 9/21 - mixed** - crude oil prices rose on late short-covering, while products ended lower. Expiration of the October NYMEX crude futures contract, along with the OPEC meeting beginning Wednesday, supported crude prices, while a request from Senator Charles Schumer for sale of SPR oil to dampen rising prices hit markets late and had limited impact.
- 9/20 - falling** - all prices eased in quiet trading, with volume light due to the Yom Kippur holiday. Selling was attributed to profit-taking ahead of Tuesday's expiration of the October NYMEX crude contract, the weekly API and EIA supply reports, and Wednesday's OPEC meeting in Vienna.
- 9/17 - mixed** - crude oil again finished higher, along with distillate futures prices, while gasoline and most spot distillate prices fell slightly. Markets ended the week focused on next week's OPEC meeting in Vienna, amid public assurances from many OPEC member countries of continued output cuts.
- 9/16 - mixed** - crude prices posted another solid gain, distillates were barely higher, and gasoline ended lower in active but shortened trading, as NYMEX closed early due to Hurricane Floyd's advance up the East Coast. WTI ended above \$24.50 per barrel for the first time since January 1997.
- 9/15 - mixed** - crude oil and gasoline prices closed higher, reversing much of Tuesday's losses, while distillate was flat to slightly lower. Solid crude oil stockdraws reported by both API and EIA provided support, along with statements from Saudi Arabia and Venezuela on output discipline.
- 9/14 - falling** - spot and NYMEX futures prices fell in profit-taking, but gave back only a small portion of gains accrued over the last few days. Market-moving news remained scarce, with Hurricane Floyd expected to make landfall in South Carolina, affecting very little petroleum infrastructure.
- 9/13 - rising** - prices increased marketwide for the third straight day, taking spot and futures to new multi-year highs. Expectations both for next week's OPEC meeting and for a crude oil stockdraw in the weekly supply reports were cited for the bullish market sentiment.